

**RICHARD ALTMAN & COMPANY**  
**1801 BROADWAY, SUITE 1460**  
**DENVER, COLORADO 80202**  
**303-296-9531**  
**FAX: 303-292-1734**

August 14, 2001

(See address list attached)

*Regarding Proposal for Re-entry and Testing of Mesa Verde Formation  
and Recompletion of Prowler Federal #2 Well, East 1/2, Sec. 5, T25N.  
R2W, Rio Arriba County, New Mexico.*

To All Working Interest Owners:

As the result of a recent vote by a majority of the working interest owners in the above-referenced property, NM&O Operating Company has been removed as the Operator and a successor operator has been designated. Richard Altman & Company ("RAC"), and its sub-contractor, Falcon Petroleum, LLC, will be the newly designated operator, as soon as the bonding process has been completed. RAC is committed to operation of the property in a manner beneficial to all Working Interest Owners. To the extent your production is being marketed and sold by the Operator, RAC will be in further communication with you regarding continuation of this arrangement, as well as other matters.

RAC proposes to re-enter the existing Prowler Federal #2 Well for the purpose of testing the Mesa Verde Formation. Attached hereto is a procedure and an estimated Authorization for Expenditure ("AFE") in the amount of \$117,000 covering this proposed project.

You may have recently received an Application by McElvain Oil & Gas Properties, Inc. to the New Mexico Oil Conservation Division for Compulsory Pooling relating to the drilling of a new well in the SE/4 of Section 5 to test the Mesa Verde Formation. The AFE submitted by McElvain for this project estimates the costs of drilling and completing this new well will be \$807,335.

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>B</u>
CASE NO. <u>12693</u>

(See address list attached)

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RAC believes that the expenditure of \$807,335 to test the Mesa Verde Formation for this property and the drilling of a new well to do so is excessive, constitutes economic waste and could unduly impair correlative rights. Accordingly, RAC is requesting that you consider its proposal for re-entry of the Prowler Federal #2 Well to test and recompleate the existing Well in the Mesa Verde Formation. Under the terms of Article VI.B of the Operating Agreement, you have thirty (30) days after receipt of this notice to notify RAC as to whether you elect to participate in the cost of the proposed operation. Failure to respond within this period shall constitute an election not to participate. If at any time during this 30 day period a drilling rig becomes available, for this project, RAC may exercise, and expressly reserves, its right to provide notice by telephone, in which event the response period will be limited to 48 hours, exclusive of weekends and holidays. Failure to elect to participate in the costs of the project will subject your interest to the penalties provided under the Operating Agreement, including a 300% penalty for your proportionate share of the costs and expenses of reworking, testing and completion, as well as the costs of any newly acquired equipment in the well, which would have been chargeable to you had you elected to participate. In lieu of assuming any non-consent penalty, a non-participating party to the proposed re-completion may farm out his interest to the participating parties on the basis of receipt of one quarter of his original interest ("back-in") after payout (defined as 100% of the completion costs).


Please indicate your election on the Election Page attached for that purpose and return it within the period permitted to RAC at:

RICHARD ALTMAN & COMPNAY  
1801 BROADWAY, SUITE 1460  
DENVER, COLORADO 80202

If you have any questions, please contact Richard Altman at (303) 296-9531.

Very truly yours

Richard Altman & Company

  
Richard M. Altman  
President

**PROWLER #2 WELL RE-COMPLETION**  
**NW/4NE/4 - SECTION 5-25N-2W**  
**RIO ARriba COUNTY, NEW MEXICO**

**PROPOSED RE-COMPLETION PROCEDURE TO THE MESAVERDE FORMATION**

1. TOOH W/ 2 7/8" TUBING.
2. TIH W/ WIRELINE AND CIBP
3. SET 5 1/2" CIPB @ APPROX. 6100' KB
4. TIH W/ BAILER & SPOT 3 SX CMT.ON CIBP
5. TIH W/ 2 7/8" TUBING & 5 1/2" PACKER
6. CIRCULATE HOLE W/ 2% KCL WATER
7. SET PACKER AT APPROX. 6000' KB & PRESSURE TEST PLUG TO 1000 PSIG
8. RELEASE PACKER & PRESSURE TEST CASING TO 1000 PSIG
9. TOOH W/ TUBING & PACKER.
10. TIH W/ LOGGING TOOLS & RUN CEMENT BOND LOG FROM 6100' TO APPROX. 3600'
11. EVALUATE CEMENT BOND ACROSS MESAVERDE INTERVAL (5500' TO 6100'), CHACRA INTERVAL (4400' TO 4550'), & PICTURED CLIFFS INTERVAL (3750' TO 3900')  
NOTE: FUTURE CHACRA PERFS: 4464' TO 4476' KB  
FUTURE P. C. PERFS: 3814' TO 3826' KB
12. PERFORATE AS FOLLOWS:  
"BROWN SAND": 5764' - 5774' KB (10')  
"DAVIS SAND": 5658' - 5668' KB (10')  
5670' - 5678' KB (8')  
5685' - 5692' KB (7')  
PERFORATE THESE ZONES W/ 2 SPF
13. TIH W/ TUBING & PACKER, SET PACKER @ 5600' KB
14. BREAK DOWN PERFS W/ 1750 GAL 15% HCI W/ CLAY-STAT & SILT SUSPENDERS. DROP PERF BALLS DURING JOB
15. RELEASE PACKER, LOWER TUBING PAST PERFS TO KNOCK OFF PERF BALLS
16. RAISE TUBING & SET PACKER AT APPROX. 5550' KB
17. RU TO SWAB TUBING
18. SWAB BACK LOAD & EVALUATE
19. FRAC DOWN TUBING WITH APPROX 80,000 GAL SLICKWATER AND 60,000 LBS 20/40 RESIN COATED SAND
20. RELEASE PACKER & TOOH
21. REMOVE PACKER, PU BULLDOG BAILER
22. TIH W/ BAILER & TUBING & CLEAN HOLE TO PBTD
23. TOOH W/ BAILER
24. TIH W/ SN, TUBING ANCHOR & TUBING, SET SN AT APPROX. 5650'
25. TIH W/ SWAB, SWAB WELL IN
26. FLOW TEST WELL & EVALUATE RATES AND PRESSURES
27. PLACE WELL ON PRODUCTION

NOTE: IF WELL ALSO PRODUCES WATER AND/OR OIL, KILL WELL W/ 2% KCL WATER, CHECK FOR FILL IN RATHOLE, IF CLEAN, PLACE SN BELOW BOTTOM PERF @ APPROX 5780', SET TUBING ANCHOR, RUN RODS & PUT ON PUMP.

**AUTHORITY FOR EXPENDITURE (AFE)**  
**PROWLER #2 WELL**  
**NW/4NE/4 - SECTION 5-25N-2W**  
**RIO ARriba COUNTY, NEW MEXICO**

**MESAVERDE RE-COMPLETION**

<b><u>DESCRIPTION</u></b>	<b><u>AMOUNT</u></b>
<b><u>COMPLETION INTANGIBLES</u></b>	
COMPLETION UNIT: 6 DAYS @ \$2500/DAY	\$15,000
CASED HOLE LOGS & PERFORATING	\$7,000
STIMULATION - ACID JOB	\$6,500
FRAC JOB	\$55,000
ROADS AND LOCATION PREPARATION	\$3,000
WATER & CHEMICALS	\$7,000
TRUCKING	\$2,500
PRESSURE TESTING	\$2,500
SUPERVISION: 7 DAYS @ \$500/DAY	\$3,500
ROUSTABOUT SERVICES	\$2,000
LOCATION RESTORATION	\$1,000
TOOL & TANK RENTAL	\$2,500
CONTINGENCY (5%)	<u>\$5,500</u>
TOTAL INTANGIBLES	\$113,000
<b><u>TANGIBLE EQUIPMENT</u></b>	
BRIDGE PLUG	\$2,000
VALVES & FITTINGS	<u>\$2,000</u>
TOTAL TANGIBLE EQUIPMENT	\$4,000
<b><u>TOTAL RE-COMPLETION COST</u></b>	<b><u>\$117,000</u></b>

The costs described above are estimates only and may vary depending upon a number of factors, including, but not limited to, cost of equipment, length of time to complete each aspect of the procedure, weather and road conditions, etc.

**ELECTION PAGE**  
**PROWLER # 2 RE-WORK**

\_\_\_\_\_ **YES**, the undersigned hereby elects to participate in the re-work of the Prowler # 2 Well located in the East/2 of Section 5, Township 25N, Range 2W, situated in Rio Arriba County, New Mexico.

- \_\_\_\_\_ I hereby Execute and return the Authority For Expenditure (AFE) submitted to me by Richard Altman & Company.

\_\_\_\_\_ **NO**, the undersigned elects **NOT** to participate in the re-work of the Prowler #2 Well located in the East/2 of Section 5, Township 25N, Range 2W, situated in Rio Arriba County, New Mexico.

**ALTERNATIVE ELECTION:** As an alternative to participation, the undersigned hereby offers support to Richard Altman & Company of Denver, Colorado and the participating parties in the re-work of this well, as follows:

- \_\_\_\_\_ I hereby offer to farmout my working interest in the said well on the terms stated in the AFE notice, to Richard Altman & Company and the participating parties to the re-work of this well.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Working Interest Owner - Prowler # 2

By: \_\_\_\_\_

( \_\_\_\_\_ % W.I.)

[Please mail or fax your completed Election Page to: Richard Altman & Co.,  
Richard Altman & Company, 1801 Broadway, Ste 1460, Denver, CO 80202. /  
Fax: 303-292-1734]

**WORKING INTEREST OWNERS ADDRESS LIST  
PROWLER #2 WELL  
E/2 - SECTION 5-25N-2W  
RIO ARriba COUNTY, NEW MEXICO**

**T. H. McElvain Oil & Gas Limited Partnership  
1050 17<sup>th</sup> Street, Suite 1800  
Denver, Colorado 80265**

**Premier Operating Co.  
P. O. Box 35984  
Tulsa, Oklahoma 74153-0984**

**Gavilan Dome Properties  
1800 Cedarwood Drive  
Monaga, California 94556**

**Arriba Company, Ltd.  
P. O. Box 35304  
Tulsa, Oklahoma 74153**

**Hooper, Kimball & Williams, Inc.  
5550 South Lewis, Suite 301  
Tulsa, Oklahoma 74101**

**NM & O Operating Company  
6 East 5<sup>th</sup> Street, Suite 200  
Tulsa, Oklahoma 74103**

**Noseco Corporation  
7400 East Murray Drive  
Reno, Nevada 89511**

**Neumann Family Trust  
C/o Peter C. Neumann  
P. O. Box 1170  
Reno, Nevada 89504**

**Ibex Partnership  
P. O. Box 911  
Breckenridge, Texas 76424-0911**

**Petco Limited  
P. O. Box 911  
Breckenridge, Texas 76424-0911**

**Carolyn Clark Oatman  
Drawer 310  
Bastrop Texas 78602**

**Warren Clark Trust  
Box 73  
Austin, Texas 78767**

**Testamentary Trust u/w/o Warren Clark  
Box 1846  
Austin, Texas 78767**